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Bottom Line

Detailed Cost-of-Doing Business Data

For Home Centers

1989

NRHA
National
Retail Hardware
Association

HCI
home center
institute

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Printed in the United States of America

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Introduction

The **National Retail Hardware Association** annually publishes detailed financial operating reports for three types of do-it-yourself retailers. Studies available are the Management Report for retail hardware stores, the Bottom Line report for home centers, and the Profit Report for retail lumber outlets.

The Bottom Line
The 1989 Bottom Line outlines financial operating data for home center operations. A home center, as defined by Home Center Institute, is a retail outlet which carries the basic hardlines of hardware, tools, plumbing, paint, and electrical supplies as well as lumber and building materials. Home centers generally have sales in excess of $1 million and contain a minimum of 10,000 square feet of retail selling area. The Bottom Line is designed to:

- Assess financial performance of the home center industry in 1988
- Provide comparative financial data to allow retailers the opportunity to measure their performance against industry standards
- Provide a benchmark for profit planning enabling home center retailers to improve performance levels on a continuing basis.

Additionally, the Bottom Line provides an excellent means for manufacturers, wholesalers, and other interested parties to gain a better understanding of the home center industry.

Four Major Sections
The Bottom Line is divided into four major sections: Historical Trends from 1984 through 1988; The Strategic Profit Model; Average Operating Results for 1988; and Departmental Information. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Historical Trends provides income statement and balance sheet ratios for 1988 and the four previous Bottom Line reports, 1984-1987. This section also includes performance of individual departments and monthly sales percentages for a five year period.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

Average Operating Results includes data on sales, operating expenses, profits and overall financial performance. Income statement items are presented as a percentage of net sales and balance sheet items appear as a percentage of total assets.

Departmental Information is based on the percent of contributing stores stocking and promoting (handling) major departments found in home centers. The percent of net sales, sales floor, and inventory are outlined for both handling firms only and for an average outlet. Departmental productivity is compared by determining the gross margin return on inventory investment for each department.

Type of Store
A variety of factors influence the cost of doing business for any home center. Therefore, report data are presented by various outlet characteristics for comparison. Information contained in Average Operating Results is presented for the following store characteristics:
- All Stores
- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Origin
- Trade Area Size
- Store Location
- Geographical Region
- Number of Stores
- Store Orientation
- Leading Publicly-held Companies

Methodology
The Bottom Line is made possible only through the cooperation of the home center operators who provide NRHA with detailed financial information on their individual stores. Questionnaires were mailed in March, 1989 and one hundred and thirty-seven usable returns were received by May 15, 1989 for inclusion in this year's report.

All survey forms were edited for completeness by NRHA's Retail Research Staff. Forms were coded for computer processing and all identification was removed. The data was keypunched and then processed by an independent data tabulation firm.

As thanks for participation in this project, each contributing home center operator was provided a personalized computer analysis. This analysis compares each contributor's results with averages of all other stores in the same sales volume, sales floor size, geographical area, and store location categories, as well as with the average for the entire sample.

For Assistance
Assistance and aid in interpreting the 1989 Bottom Line report may be obtained from your regional hardware association or the National Retail Hardware Association/ Home Center Institute, 770 N. High School Road, Indianapolis, IN 46214, or phone (317) 248-1261.

Historical Trends

Income Statement Data	ALL HOME CENTERS FISCAL YEAR 1988	1987	1986	1985	1984
Net Sales Volume	$4,596,421	$3,750,496	$3,412,005	$2,631,881	$2,875,479
Gross Sales	102.01%	102.83%	101.96%	102.62%	101.96%
Less: Total Deductions	2.01	2.83	1.96	2.62	1.96
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	73.13	73.37	72.63	70.70	72.70
Margin Before Purchase Rebate or Patronage Dividend	26.87	26.63	27.37	29.30	27.30
Purchase Rebate or Patronage Dividend	.23	.25	.18	.41	.29
Margin After Purchase Rebate or Patronage Dividend	27.10	26.88	27.55	29.71	27.59
Payroll and Other Employee Expense					
Salaries – Owners/Officers/Managers	3.08	2.22	2.64	2.47	3.08
Salaries/Wages – Other Employees	9.98	10.94	9.90	10.23	9.98
Federal and State Payroll Taxes	1.01	1.11	1.07	1.17	1.11
Group Insurance	.57	.56	.53	.50	.55
Benefit Plans	.84	.57	.49	.78	.44
Total Payroll and Other Employee Expense	15.49	15.40	14.63	15.15	15.16
Occupancy Expense					
Heat, Light, Power, Water	.44	.58	.64	.67	.60
Building Repairs and Maintenance	.27	.46	.34	.17	.38
Rent or Ownership in Real Estate*	2.02	2.11	2.19	1.93	2.14
Total Occupancy Expense	2.74	3.15	3.17	2.77	3.12
Other Costs of Doing Business					
Advertising and Promotion	1.55	1.70	1.76	1.93	1.59
Insurance (Other than Real Estate and Group)	.58	.61	.61	.37	.47
Taxes (Other than Real Estate and Payroll)	.42	.31	.50	.30	.47
Interest (Other than Real Estate)	.79	.79	1.03	1.34	1.03
Depreciation (Other than Real Estate)	.78	.72	.82	.62	.70
All Other Expenses	3.55	3.67	3.78	4.19	3.47
Total Other Costs of Doing Business	7.67	7.80	8.49	8.75	7.73
Total Operating Expenses	25.90	26.35	26.29	26.67	26.01
Operating Profit or Loss	1.20	.53	1.26	3.04	1.58
Other Income	1.44	1.69	1.57	1.27	1.69
Net Operating Profit or Loss (Before Income Taxes)	2.65	2.22	2.83	4.31	3.27
Financial Performance					
Profit on Investment	13.15%	12.30%	15.79%	20.89%	17.05%
Active Owner's Return	28.45%	24.62%	30.54%	32.86%	33.16%
Current Asset Ratio	2.40x	2.30x	2.28x	2.45x	2.32x
Quick Asset Ratio	1.14x	.89x	1.00x	.95x	1.02x
Total Debt to Tangible Net Worth	82.90%	118.03%	110.09%	90.86%	98.74%
Stock Turn Times	5.45x	4.49x	4.92x	4.10x	4.83x
Sales to Inventory Ratio	7.46x	6.13x	6.78x	5.80x	6.64x
Average Inventory per Square Foot Sales Area	$39.67	$39.05	$32.43	$62.54	$49.00
Net Sales to Accounts Receivable	14.37x	11.97x	10.94x	12.47x	12.46x
Net Sales to Total Assets	2.72x	2.55x	2.66x	2.54x	2.62x
Net Sales to Net Worth	4.97x	5.55x	5.58x	4.85x	5.22x
Net Sales to Net Working Capital	6.62x	3.77x	3.86x	5.96x	6.37x
Other Operating Data					
Credit Sales – % of Total Gross Sales	62.89%	53.59%	47.42%	41.08%	53.82%
Consumer Sales – % of Total Gross Sales	37.11%	51.47%	52.25%	62.26%	59.21%
Selling Area – Square Feet	15,534	15,398	15,055	13,738	17,163
Sales Per Square Foot – Selling Area	$295.90	$240.67	$226.63	$190.18	$158.18
Total Area – Square Feet	43,474	33,490	35,105	28,015	33,478
Sales Per Square Foot – Total Area	$101.85	$97.07	$89.91	$85.06	$92.75
Sales Per Person Employed	$136,940	$128,930	$136,719	$107,839	$116,517
Sales Per Customer	$28.43	$25.60	$33.27	$29.63	$37.86

* Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
Figures may not add to totals indicated due to rounding.

Historical Trends

Department	Percent Of Net Sales*					Sales Per Square Foot				
	1988	1987	1986	1985	1984	1988	1987	1986	1985	1984
Hardware	9.2%	6.5%	8.9%	9.1%	10.3%	$146.51	$160.20	$155.21	$130.67	$140.78
Hand Tools	2.7	2.6	3.1	3.0	3.4	191.50	190.58	170.87	114.88	135.75
Power Tools & Accessories	2.4	2.3	3.8	2.4	3.3	162.01	189.24	203.09	145.08	136.48
Plumbing, Heating & Cooling	6.8	5.4	5.8	6.6	7.6	176.51	191.83	151.23	130.72	143.50
Electrical Supplies	4.7	3.6	4.3	4.5	5.5	180.24	175.49	142.74	121.19	130.32
Paint & Home Decorating	7.5	5.4	6.0	7.3	8.7	131.31	159.63	127.01	143.42	129.37
Lumber	31.4	31.7	28.7	27.7	20.3	693.11	748.85	490.75	389.12	364.21
Building Materials	21.9	24.8	25.9	26.8	25.7	660.69	473.34	399.08	225.61	292.18
Lawn & Garden	4.5	4.4	4.9	5.0	5.4	144.15	152.86	163.40	125.27	117.01
Housewares	1.5	1.5	1.2	1.3	2.0	61.79	82.71	58.15	71.48	85.23
Automotive Supplies	.6	1.9	.5	.9	.5	103.54	84.46	90.39	110.64	160.40
Major Appliances & Home Entertainment	1.0	.5	1.2	.5	1.6	71.63	263.43	121.28	130.01	113.07
Sporting Goods & Outdoor Living	.8	.5	.4	.8	1.3	145.98	162.91	NA	112.03	100.00
Miscellaneous Goods	5.0	9.1	5.3	4.1	4.4	79.89	263.13	247.16	102.85	118.77

Department	Sales To Inventory Ratio					Gross Margin Return On Investment				
	1988	1987	1986	1985	1984	1988	1987	1986	1985	1984
Hardware	6.4x	4.5x	5.5x	4.7x	5.3x	$2.78	$1.73	$2.06	$1.88	$2.13
Hand Tools	5.6	4.7	6.0	5.8	4.9	2.27	1.55	2.07	2..06	1.74
Power Tools & Accessories	5.8	4.2	5.6	4.2	5.3	2.00	1.22	1.66	1.28	1.65
Plumbing, Heating & Cooling	6.4	4.0	5.0	5.1	5.1	2.49	1.44	1.79	1.88	1.92
Electrical Supplies	5.0	3.7	5.3	5.0	4.8	1.93	1.38	1.94	1.87	1.76
Paint & Home Decorating	6.5	4.8	6.2	6.1	6.6	2.47	1.59	2.19	2.06	2.48
Lumber	8.7	8.5	9.4	6.9	8.3	1.93	2.02	2.20	1.72	2.11
Building Materials	7.1	7.8	8.7	6.6	5.8	1.88	2.04	2.18	1.74	1.72
Lawn & Garden	5.5	5.5	6.6	5.0	5.3	1.62	1.74	2.10	1.57	1.76
Housewares	5.4	3.7	3.5	3.9	3.1	1.60	1.17	.95	1.28	1.05
Automotive Supplies	7.2	6.9	3.4	4.5	3.6	2.28	2.01	.85	1.44	1.04
Major Appliances & Home Entertainment	4.2	2.5	4.8	3.8	4.1	.71	.45	1.00	.67	.84
Sporting Goods & Outdoor Living	4.6	4.2	3.4	3.7	3.7	.99	1.17	.85	1.21	1.06
Miscellaneous Goods	7.5	7.3	8.6	4.8	5.0	2.03	2.46	2.65	.86	1.83

* Average Home Center

Monthly Sales

Month	1988	1987	1986	1985	1984
January	5.7%	6.0%	6.0%	6.0%	6.0%
February	6.0	5.8	5.0	5.4	5.9
March	7.7	7.5	6.2	6.9	6.8
April	9.2	8.5	8.2	8.6	8.2
May	9.7	9.6	9.6	9.8	9.9
June	9.8	9.9	10.1	9.6	10.2
July	9.3	9.5	9.9	9.4	9.2
August	9.0	9.1	9.1	9.4	9.2
September	9.0	8.9	9.9	8.8	8.6
October	9.0	9.3	9.7	9.1	8.8
November	8.0	8.1	8.2	8.4	8.4
December	7.6	7.8	8.1	8.4	8.8

Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for home center retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria -- Return on Net Worth

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth; profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin

Sales -- Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold -- Improve Gross Margin through variable pricing, inventory control, etc.

Expenses -- Trimming expenses is difficult in view of today's high labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

Other Income -- Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover

Inventory -- Decrease inventory level by carefully reviewing the levels of all items, trimming slow moving items, and eliminating obsolete items.

Accounts Receivable -- Review status of accounts, if excessively high without the use of a finance charge, customers are operating on the firm's money.

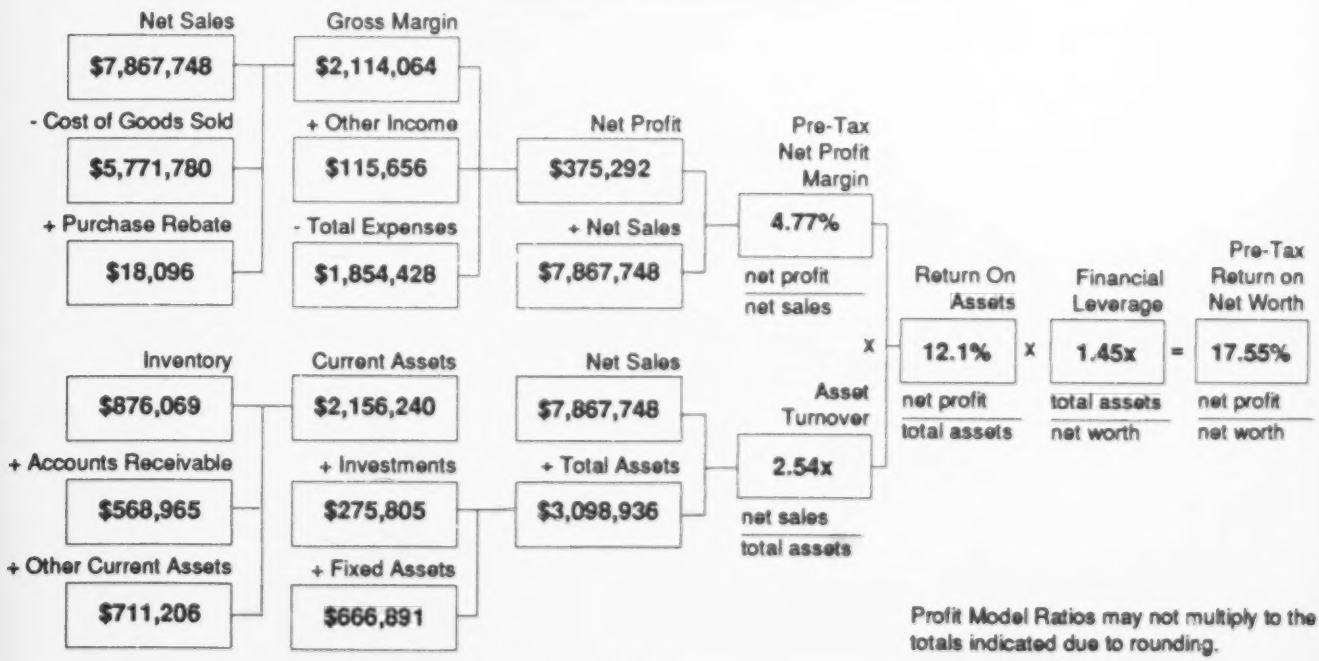
Fixed Assets -- Divide Net Sales by Fixed Assets; a substantially lower than average ratio, indicates excessive investments resulting in idle capacity.

Leverage

The amount of borrowed funds has a number of major implications: 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment; and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Home Center category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High Profit Home Centers



Profit Model Ratios may not multiply to the totals indicated due to rounding.

1988 Highlights

Type Of Home Center	1988 Net Sales ($)	Sales Increase Over 1987* (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns (x)
All Home Centers	4,596,421	+7.83	27.10	2.65	13.15	5.45
Low Profit	3,372,878	+2.79	25.26	-.75	-7.67	5.16
High Profit	7,867,748	+10.85	26.87	4.76	17.56	6.66
Sales Volume Size						
Under $3,000,000	2,016,487	+8.39	28.86	1.69	9.62	4.20
$3,000,000 to $4,999,999	3,855,344	+6.70	28.57	2.11	12.41	5.02
$5,000,000 or more	8,450,257	+7.98	26.06	3.12	14.21	6.18
Sales Floor Size						
Under 15,000 Sq. Ft.	3,949,311	+8.18	26.44	2.42	14.02	5.38
15,000 to 19,999 Sq. Ft.	3,925,699	+13.42	29.65	3.93	24.22	5.43
20,000 Sq. Ft. or more	6,963,850	+5.38	27.14	2.48	9.40	5.60
Type of Origin						
Originally Hardware	3,985,482	+9.58	27.97	3.18	10.88	4.64
Originally Lumber/Building Materials	4,849,798	+8.29	26.74	2.54	13.39	5.69
Organized as Home Center	4,874,359	+6.67	27.54	3.12	18.72	5.65
Trade Area Size						
Metropolitan Statistical Areas	6,155,245	+2.09	26.97	3.05	12.64	5.21
Cities 10,000 to 50,000	4,475,956	+10.08	27.94	2.97	12.81	5.89
Towns Under 10,000	4,019,531	+10.18	26.61	2.17	14.03	5.35
Outlet Location: Part I						
Downtown	5,604,708	+4.85	27.40	2.36	8.45	4.95
Rural & Suburban	4,299,866	+9.30	26.99	2.76	16.09	5.67
Outlet Location: Part II						
Shopping Centers	2,631,100	+9.40	32.20	3.48	20.10	4.41
Free-Standing – No Stores Adjacent	6,101,508	+9.37	26.00	3.53	15.14	6.58
Free-Standing – Stores Nearby	4,021,857	+6.47	27.50	1.64	9.49	4.77
Number of Stores:						
Single Store Business	4,803,567	+9.58	26.98	3.34	14.22	5.74
Multiple Store Business	4,102,457	+3.58	27.45	.70	6.60	4.79

* As reported by Bottom Line contributors.

1988 Monthly Sales

	%
January	5.7
February	6.0
March	7.7
April	9.2
May	9.7
June	9.8
July	9.3
August	9.0
September	9.0
October	9.0
November	8.0
December	7.6

All Home Centers

Income Statement Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Number of Stores	137	34	34
Net Sales Volume	$4,596,421	$3,372,878	$7,867,748
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+7.83%	+2.79%	+10.85%
Gross Sales	102.01%	100.88%	101.99%
Less: Total Deductions	2.01	.88	1.99
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.13	74.85	73.36
Margin Before Purchase Rebate or Patronage Dividend	26.87	25.15	26.64
Purchase Rebate or Patronage Dividend	.23	.11	.23
Margin After Purchase Rebate or Patronage Dividend	27.10	25.26	26.87
Payroll and Other Employee Expense			
Salaries – Owners/Officers/Managers	3.08	2.83	2.74
Salaries/Wages – Other Employees	9.98	9.86	9.57
Federal and State Payroll Taxes	1.01	1.04	.82
Group Insurance	.57	.68	.50
Benefit Plans	.84	1.20	.78
Total Payroll and Other Employee Expense	15.49	15.60	14.41
Occupancy Expense			
Heat, Light, Power, Water	.44	.53	.35
Building Repairs and Maintenance	.27	.36	.27
Rent or Ownership in Real Estate**	2.02	2.41	1.78
Total Occupancy Expense	2.74	3.29	2.40
Other Costs of Doing Business			
Office Supplies and Postage	.36	.42	.37
Advertising and Promotion	1.55	1.51	1.36
Donations	.07	.11	.07
Telephone and Telegraph	.22	.34	.18
Bad Debts	.23	.46	.22
Credit Card Expense (Bank Charges)	.12	.14	.16
Delivery (Other than Wages)	.44	.51	.37
Leasing Expenses (Non-Occupancy)	.05	.09	.03
Insurance (Other than Real Estate and Group)	.58	.54	.46
Taxes (Other than Real Estate and Payroll)	.42	.27	.43
Interest (Other than Real Estate)	.79	1.36	.40
Depreciation (Other than Real Estate)	.78	.83	.72
Store and Shop Supplies	.27	.18	.24
Legal and Accounting	.20	.26	.21
Computer Services and Expenses (Other than Wages)	.23	.19	.22
Dues and Subscriptions	.05	.05	.05
Travel and Entertainment	.13	.16	.09
Miscellaneous Services (Laundry, Disposal, Etc.)	.10	.08	.08
Unclassified Expenses	1.07	1.25	1.10
Total Other Costs of Doing Business	7.67	8.76	6.76
Total Operating Expenses	25.90	27.66	23.57
Operating Profit or Loss	1.20	-2.40	3.30
Other Income	1.44	1.65	1.47
Net Operating Profit or Loss (Before Income Taxes)	2.65	-.75	4.76

* As reported to us by Bottom Line contributors.
** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.
† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

All Home Centers

Balance Sheet Data	All Home Centers	Low† Profit Home Centers	High†† Profit Home Centers
Total Dollar Assets	$1,691,572	$1,190,336	$3,098,936
		% of Total Assets	
Assets			
Cash On Hand and In Bank	8.06	2.40	12.88
Notes and Installment Contracts Receivable	2.11	4.40	2.10
Accounts Receivable	18.65	18.53	18.36
Merchandise Inventory (End of Year)	36.94	41.44	28.27
Other Current Assets	4.62	1.24	7.97
Total Current Assets	70.39	68.01	69.58
Stocks and Bonds	3.67	1.41	5.73
Real Estate (Not Used In Business)	.38	1.39	.08
Other Investments	4.56	5.26	3.10
Total Investments	8.62	8.06	8.90
Land (Owned and Used In Business)	2.38	2.49	2.99
Buildings (Owned & Used In Bus. Less Deprec.)	7.62	12.97	8.72
Leasehold Improvements (Less Amortization Allowance)	1.23	.73	1.41
Furniture, Fixtures, Equipment (Owned & Used in Bus. Less Deprec.)	5.60	3.98	4.72
Delivery Equipment (Owned & Used in Bus. Less Depre.)	2.36	2.19	2.42
Other Fixed Assets	1.81	1.58	1.25
Total Fixed Assets	21.00	23.93	21.52
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	12.88	16.16	10.52
Current Portion of Notes Payable	9.61	21.88	5.10
Accrued Payroll Taxes	.55	.42	.57
Accrued Other Taxes	.93	.83	.89
Other Accrued Expenses	3.02	4.03	3.23
Other Current Liabilities	2.36	.92	1.55
Total Current Liabilities	29.34	44.24	21.86
Notes Due Partners/Officers	.96	.15	.74
Mortgage Payable	4.25	7.82	3.78
Long Term Debt	8.36	9.72	4.28
Other Long Term Liabilities	2.41	10.25	.51
Total Long Term Liabilities	15.98	27.95	9.31
Total Liabilities	45.32	72.18	31.16
Net Worth	54.68	27.82	68.84
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	13.15%	-7.67%	17.56%
Active Owner's Return	28.45%	21.12%	27.66%
Current Asset Ratio	2.40x	1.54x	3.18x
Quick Asset Ratio	1.14x	.60x	1.89x
Total Debt to Tangible Net Worth	82.90%	259.48%	45.27%
Stock Turn Times	5.45x	5.16x	6.66x
Sales to Inventory Ratio	7.46x	6.90x	9.07x
Average Inventory per Square Foot Sales Area	$39.67	$36.35	$44.33
Net Sales to Accounts Receivable	14.37x	15.29x	13.83x
Net Sales to Total Assets	2.72x	2.83x	2.54x
Net Sales to Net Worth	4.97x	10.19x	3.69x
Net Sales to Net Working Capital	6.62x	11.92x	5.32x
Other Operating Data			
Credit Sales -- % of Total Gross Sales	62.89%	71.18%	57.38%
Consumer Sales -- % of Total Gross Sales	37.11%	28.82%	42.62%
Selling Area -- Square Feet	15,534	13,455	19,559
Sales Per Square Foot -- Selling Area	$295.90	$250.69	$402.26
Total Area -- Square Feet	43,474	40,417	46,723
Sales Per Square Foot -- Total Area	$101.85	$83.45	$155.29
Sales Per Person Employed	$136,940	$143,527	$156,961
Sales Per Customer	$28.43	$18.93	$41.67

† Defined as the bottom twenty-five percent of all contributors based on Net Profit.
†† Defined as the top twenty-five percent of all contributors based on Net Profit.
Figures may not add to totals indicated due to rounding.

Sales Volume Size

Income Statement Data	Sales Under $3,000,000	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Number of Outlets	58	34	45
Net Sales Volume	$2,016,487	$3,855,344	$8,450,257
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+8.39%	+6.70%	+7.98%
Gross Sales	101.95%	102.62%	101.82%
Less: Total Deductions	1.95	2.62	1.82
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	71.53	71.76	74.08
Margin Before Purchase Rebate or Patronage Dividend	28.47	28.24	25.92
Purchase Rebate or Patronage Dividend	.39	.33	.15
Margin After Purchase Rebate or Patronage Dividend	28.86	28.57	26.06
Payroll and Other Employee Expense			
Salaries -- Owners/Officers/Managers	3.23	3.97	2.73
Salaries/Wages -- Other Employees	10.22	10.06	9.89
Federal and State Payroll Taxes	1.17	1.11	.93
Group Insurance	.50	.62	.58
Benefit Plans	.26	.72	1.06
Total Payroll and Other Employee Expense	15.37	16.48	15.18
Occupancy Expense			
Heat, Light, Power, Water	.73	.58	.31
Building Repairs and Maintenance	.33	.29	.25
Rent or Ownership in Real Estate**	3.19	2.23	1.60
Total Occupancy Expense	4.25	3.10	2.16
Other Costs of Doing Business			
Office Supplies and Postage	.43	.36	.34
Advertising and Promotion	2.02	2.12	1.21
Donations	.04	.05	.08
Telephone and Telegraph	.30	.24	.19
Bad Debts	.29	.12	.25
Credit Card Expense (Bank Charges)	.16	.13	.11
Delivery (Othe than Wages)	.40	.29	.50
Leasing Expenses (Non-Occupancy)	.16	.01	.04
Insurance (Other than Real Estate and Group)	.59	.58	.58
Taxes (Other than Real Estate and Payroll)	.67	.22	.41
Interest (Other than Real Estate)	1.18	.84	.66
Depreciation (Other than Real Estate)	.92	.73	.76
Store and Shop Supplies	.28	.36	.24
Legal and Accounting	.28	.24	.17
Computer Services and Expenses (Other than Wages)	.31	.37	.16
Dues and Subscriptions	.06	.05	.04
Trave and Entertainment	.13	.17	.11
Miscellaneous Services (Laundry, Disposal, Etc.)	.09	.24	.06
Unclassified Expenses	1.39	.96	1.01
Total Other Costs of Doing Business	9.69	8.07	6.91
Total Operating Expenses	29.31	27.65	24.25
Operating Profit or Loss	-.45	.91	1.81
Other Income	2.14	1.20	1.31
Net Operating Profit or Loss (Before Income Taxes)	1.69	2.11	3.12

* As reported to us by Bottom Line contributors.

** Ownership in Real Estate includes Taxes, Insurance, Depreciation and Interest for Mortgages on Land and Buildings.

Figures may not add to totals indicated due to rounding.

Sales Volume Size

Balance Sheet Data	Sales Under $3,000,000	$3,000,000 To $4,999,999	Sales $5,000,000 Or More
Total Dollar Assets	$806,260	$1,245,461	$3,159,535
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.82	5.88	9.45
Notes and Installment Contracts Receivable	3.87	1.73	1.66
Accounts Receivable	13.0[illegible]	18.33	20.57
Merchandise Inventory (End of Year)	42.89	45.60	32.41
Other Current Assets	3.55	3.52	5.30
Total Current Assets	69.18	75.05	69.38
Stocks and Bonds	1.47	4.33	4.19
Real Estate (Not Used In Business)	.01	1.58	.15
Other Investments	5.93	5.36	3.87
Total Investments	7.40	11.28	8.21
Land (Owned and Used In Business)	1.69	.69	3.12
Buildings (Owned and Used In Bus. Less Deprec.)	6.61	3.22	9.27
Leasehold Improvements (Less Amortization Allowance)	1.66	.73	1.23
Furniture, Fixtures, Equipment (Owned & Used in Bus. Less Deprec.)	6.87	5.15	5.32
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	1.85	1.66	2.74
Other Fixed Assets	4.74	2.23	.72
Total Fixed Assets	23.42	13.67	22.40
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	14.15	16.11	11.50
Current Portion of Notes Payable	8.55	8.10	10.40
Accrued Payroll Taxes	.66	.42	.55
Accrued Other Taxes	1.17	1.34	.72
Other Accrued Expenses	1.28	2.55	3.72
Other Current Liabilities	1.95	2.90	2.34
Total Current Liabilities	27.77	31.43	29.24
Notes Due Partners/Officers	.74	2.23	.65
Mortgage Payable	3.32	2.13	5.19
Long Term Debt	16.22	11.04	5.01
Other Long Term Liabilities	7.95	.52	1.17
Total Long Term Liabilities	28.23	15.92	12.01
Total Liabilities	55.99	47.35	41.25
Net Worth	44.01	52.65	58.75
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	9.62%	12.41%	14.21%
Active Owner's Return	27.95%	35.72%	26.62%
Current Asset Ratio	2.49x	2.39x	2.37x
Quick Asset Ratio	.95x	.94x	1.26x
Total Debt to Tangible Net Worth	127.24%	89.92%	70.20%
Stock Turn Times	4.20x	5.02x	6.18x
Sales to Inventory Ratio	5.87x	6.99x	8.34x
Average Inventory per Square Foot Sales Area	$27.29	$32.87	$55.22
Net Sales to Accounts Receivable	19.17x	16.89x	13.00x
Net Sales to Total Assets	2.50x	3.10x	2.67x
Net Sales to Net Worth	5.68x	5.88x	4.55x
Net Sales to Net Working Capital	6.04x	7.10x	6.66x

Other Operating Data

Credit Sales -- % of Total Gross Sales	64.15%	53.49%	63.74%
Consumer Sales -- % of Total Gross Sales	35.85%	46.51%	36.26%
Selling Area -- Square Feet	12,595	16,772	18,345
Sales Per Square Foot -- Selling Area	$160.11	$229.87	$430.63
Total Area -- Square Feet	30,419	32,697	69,178
Sales Per Square Foot -- Total Area	$65.79	$117.91	$116.22
Sales Per Person Employed	$118,349	$114,560	$156,001
Sales Per Customer	$22.48	$31.32	$31.17

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Sales Floor Size

Income Statement Data	Sales Area Under 15,000 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Number of Stores	85	22	30
Net Sales Volume	$3,949,311	$3,925,699	$6,963,850
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+8.18%	+13.42%	+5.38%
Gross Sales	101.71%	102.73%	102.21%
Less: Total Deductions	1.71	2.73	2.21
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.74	70.58	73.18
Margin Before Purchase Rebate or Patronage Dividend	26.26	29.42	26.82
Purchase Rebate or Patronage Dividend	.18	.23	.32
Margin After Purchase Rebate or Patronage Dividend	26.44	29.65	27.14
Payroll and Other Employee Expense			
Salaries – Owners/Officers/Managers	2.73	3.51	3.46
Salaries/Wages – Other Employees	9.48	10.38	10.64
Federal and State Payroll Taxes	1.02	1.16	.94
Group Insurance	.67	.44	.46
Benefit Plans	.95	.57	.78
Total Payroll and Other Employee Expense	14.86	16.07	16.29
Occupancy Expense			
Heat, Light, Power, Water	.40	.56	.47
Building Repairs and Maintenance	.28	.23	.28
Rent or Ownership in Real Estate**	2.00	2.25	1.97
Total Occupancy Expense	2.67	3.05	2.73
Other Costs of Doing Business			
Office Supplies and Postage	.36	.43	.34
Advertising and Promotion	1.36	2.05	1.66
Donations	.08	.02	.07
Telephone and Telegraph	.25	.23	.18
Bad Debts	.26	.21	.17
Credit Card Expense (Bank Charges)	.10	.26	.10
Delivery (Other than Wages)	.48	.40	.38
Leasing Expenses (Non-Occupancy)	.08	.04	.01
Insurance (Other than Real Estate and Group)	.57	.69	.55
Taxes (Other than Real Estate and Payroll)	.35	.67	.43
Interest (Other than Real Estate)	.67	1.00	.91
Depreciation (Other than Real Estate)	.82	.76	.73
Store and Shop Supplies	.28	.21	.29
Legal and Accounting	.21	.29	.16
Computer Services and Expenses (Other than Wages)	.18	.42	.23
Dues and Subscriptions	.05	.05	.05
Travel and Entertainment	.13	.13	.12
Miscellaneous Services (Laundry, Disposal, Etc.)	.06	.07	.19
Unclassified Expenses	1.37	.68	.75
Total Other Costs of Doing Business	7.66	8.60	7.32
Total Operating Expenses	25.17	27.72	26.34
Operating Profit or Loss	1.26	1.94	.80
Other Income	1.16	1.99	1.68
Net Operating Profit or Loss (Before Income Taxes)	2.42	3.93	2.48

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Sales Floor Size

Balance Sheet Data	Sales Area Under 15,000 Sq. Ft.	15,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Total Dollar Assets	$1,334,888	$1,314,817	$3,001,684
		% of Total Assets	
Assets			
Cash On Hand and In Bank	5.36	16.07	8.97
Notes and Installment Contracts Receivable	3.18	2.76	.53
Accounts Receivable	20.36	13.36	18.15
Merchandise Inventory (End of Year)	41.25	39.55	30.56
Other Current Assets	2.39	1.74	8.43
Total Current Assets	72.53	73.48	66.63
Stocks and Bonds	1.85	1.99	6.56
Real Estate (Not Used In Business)	.03	.30	.85
Other Investments	4.14	8.11	3.95
Total Investments	6.03	10.40	11.37
Land (Owned and Used In Business)	1.76	.63	3.76
Buildings (Owned & Used In Bus. Less Deprec.)	8.21	2.80	8.42
Leasehold Improvements (Less Depreciation)	1.78	1.75	.34
Furniture, Fixtures, Equipment (Owned & Used in Bus. Less Deprec.)	4.96	9.31	5.22
Delivery Equipment (Owned & Used in Bus. Less Deprec.)	2.22	1.54	2.81
Other Fixed Assets	2.51	.10	1.45
Total Fixed Assets	21.45	16.12	22.00
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	13.78	16.08	10.68
Current Portion of Notes Payable	10.30	10.63	8.39
Accrued Payroll Taxes	.43	.84	.60
Accrued Other Taxes	.88	1.17	.91
Other Accrued Expenses	3.56	5.49	1.52
Other Current Liabilities	3.08	1.40	1.75
Total Current Liabilities	32.04	35.61	23.85
Notes Due Partners/Officers	.39	.09	1.98
Mortgage Payable	3.15	4.73	5.51
Long Term Debt	9.02	10.97	6.68
Other Long Term Liabilities	4.24	.21	.76
Total Long Term Liabilities	16.80	15.99	14.93
Total Liabilities	48.84	51.60	38.78
Net Worth	51.16	48.40	61.22
Total Liabilities and Net Worth	100.00%	100.00%	100.00%

Financial Performance

Profit on Investment	14.02%	24.22%	9.40%
Active Owner's Return	29.82%	45.90%	22.52%
Current Asset Ratio	2.26x	2.06x	2.79x
Quick Asset Ratio	.98x	.95x	1.51x
Total Debt to Tangible Net Worth	95.45%	106.63%	63.34%
Stock Turn Times	5.38x	5.43x	5.60x
Sales to Inventory Ratio	7.29x	7.70x	7.65x
Average Inventory per Square Foot Sales Area	$48.29	$30.57	$33.48
Net Sales to Accounts Receivable	14.53x	22.35x	12.78x
Net Sales to Total Assets	2.96x	2.99x	2.32x
Net Sales to Net Worth	5.78x	6.17x	3.79x
Net Sales to Net Working Capital	7.31x	7.89x	5.42x

Other Operating Data

Credit Sales – % of Total Gross Sales	71.93%	38.08%	60.74%
Consumer Sales – % of Total Gross Sales	28.07%	61.92%	39.26%
Selling Area – Square Feet	11,214	16,684	27,192
Sales Per Square Foot – Selling Area	$352.18	$235.29	$256.10
Total Area – Square Feet	34,725	40,312	73,683
Sales Per Square Foot – Total Area	$114.34	$101.54	$83.29
Sales Per Person Employed	$138,692	$125,608	$138,548
Sales Per Customer	$28.95	$27.49	$27.72

Figures may not add to totals indicated due to rounding.

Type of Origin

Income Statement Data	Originally Hardware Store	Originally Lumber/ Building Materials Outlet	Originally Home Center
Number of Stores	30	73	26
Net Sales Volume	$3,935,482	$4,849,798	$4,874,359
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+9.58%	+8.29%	+6.67%
Gross Sales	100.08%	102.13%	103.25%
Less: Total Deductions	.08	2.13	3.25
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	72.48	73.44	72.67
Margin Before Purchase Rebate or Patronage Dividend	27.52	26.56	27.33
Purchase Rebate or Patronage Dividend	.45	.18	.21
Margin After Purchase Rebate or Patronage Dividend	27.97	26.74	27.54
Payroll and Other Employee Expense			
Salaries – Owners/Officers/Managers	2.81	2.63	3.95
Salaries/Wages – Other Employees	9.89	10.38	9.34
Federal and State Payroll Taxes	.88	1.03	1.08
Group Insurance	.53	.64	.44
Benefit Plans	.38	1.01	.83
Total Payroll and Other Employee Expense	14.49	15.89	15.63
Occupancy Expense			
Heat, Light, Power, Water	.53	.39	.52
Building Repairs and Maintenance	.25	.27	.27
Rent or Ownership in Real Estate**	2.69	1.82	1.93
Total Occupancy Expense	3.48	2.48	2.72
Other Costs of Doing Business			
Advertising and Promotion	1.83	1.48	1.56
Insurance (Other than Real Estate and Group)	.37	.67	.39
Taxes (Other than Real Estate and Payroll)	.32	.32	.50
Interest (Other than Real Estate)	1.04	.66	.79
Depreciation (Other than Real Estate)	.80	.80	.69
All Other Expenses	3.99	3.42	3.13
Total Other Costs of Doing Business	8.35	7.36	7.05
Total Operating Expenses	26.32	25.73	25.41
Operating Profit or Loss	1.65	1.01	2.13
Other Income	1.52	1.53	.99
Net Operating Profit or Loss (Before Income Taxes)	3.18	2.54	3.12
Financial Performance			
Profit on Investment	10.88%	13.39%	18.72%
Active Owner's Return	20.49%	28.28%	42.38%
Current Asset Ratio	3.89x	2.31x	1.96x
Quick Asset Ratio	1.96x	1.09x	.87x
Total Debt to Tangible Net Worth	45.54%	88.60%	106.64%
Stock Turn Times	4.64x	5.69x	5.65x
Sales to Inventory Ratio	6.40x	7.75x	7.77x
Average Inventory per Square Foot Sales Area	$35.05	$45.11	$37.86
Net Sales to Accounts Receivable	16.78x	14.96x	14.37x
Net Sales to Total Assets	2.35x	2.79x	2.90x
Net Sales to Net Worth	3.42x	5.26x	5.99x
Net Sales to Net Working Capital	4.28x	7.11x	8.59x
Other Operating Data			
Credit Sales – % of Total Gross Sales	34.46%	62.75%	69.79%
Consumer Sales -- % of Total Gross Sales	65.54%	37.25%	30.21%
Selling Area – Square Feet	17,555	13,880	16,571
Sales Per Square Foot – Selling Area	$224.18	$349.42	$294.16
Total Area – Square Feet	29,144	44,055	54,890
Sales Per Square Foot – Total Area	$139.20	$104.69	$88.80
Sales Per Person Employed	$102,664	$145,347	$135,178
Sales Per Customer	$16.09	$29.09	$53.82

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Trade Area Size

Income Statement Data	Metropolitan Statistical Areas	Cities 10,000 To 50,000 Pop.	Towns Under 10,000 Pop.
Number of Stores	28	42	67
Net Sales Volume	$6,155,245	$4,475,956	$4,019,531
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+2.09%	+10.08%	+10.18%
Gross Sales	102.08%	102.86%	101.37%
Less: Total Deductions	2.08	2.86	1.37
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.24	72.38	73.57
Margin Before Purchase Rebate or Patronage Dividend	26.76	27.62	26.43
Purchase Rebate or Patronage Dividend	.22	.32	.18
Margin After Purchase Rebate or Patronage Dividend	26.97	27.94	26.61
Payroll and Other Employee Expense			
Salaries – Owners/Officers/Managers	3.57	3.48	2.48
Salaries/Wages – Other Employees	10.51	10.02	9.62
Federal and State Payroll Taxes	.92	1.08	1.03
Group Insurance	.36	.62	.68
Benefit Plans	.90	.61	.97
Total Payroll and Other Employee Expense	16.26	15.81	14.78
Occupancy Expense			
Heat, Light, Power, Water	.38	.56	.41
Building Repairs and Maintenance	.21	.36	.26
Rent or Ownership in Real Estate**	1.68	2.44	1.96
Total Occupancy Expense	2.26	3.36	2.62
Other Costs of Doing Business			
Advertising and Promotion	1.51	1.95	1.30
Insurance (Other than Real Estate and Group)	.57	.45	.68
Taxes (Other than Real Estate and Payroll)	.52	.20	.50
Interest (Other than Real Estate)	.61	.64	1.01
Depreciation (Other than Real Estate)	.54	.76	.95
All Other Expenses	2.90	3.49	4.01
Total Other Costs of Doing Business	6.65	7.49	8.45
Total Operating Expenses	25.16	26.65	25.85
Operating Profit or Loss	1.81	1.28	.76
Other Income	1.24	1.68	1.40
Net Operating Profit or Loss (Before Income Taxes)	3.05	2.97	2.17
Financial Performance			
Profit on Investment	12.64%	12.81%	14.03%
Active Owner's Return	27.46%	27.83%	30.10%
Current Asset Ratio	2.77x	2.94x	1.97x
Quick Asset Ratio	1.39x	1.43x	.88x
Total Debt to Tangible Net Worth	62.00%	57.15%	130.84%
Stock Turn Times	5.21x	5.89x	5.35x
Sales to Inventory Ratio	7.11x	8.13x	7.27x
Average Inventory per Square Foot Sales Area	$47.71	$30.95	$42.45
Net Sales to Accounts Receivable	14.93x	16.11x	13.47x
Net Sales to Total Assets	2.56x	2.75x	2.81x
Net Sales to Net Worth	4.15x	4.31x	6.48x
Net Sales to Net Working Capital	5.46x	6.38x	7.91x
Other Operating Data			
Credit Sales – % of Total Gross Sales	51.11%	61.92%	68.77%
Consumer Sales – % of Total Gross Sales	48.89%	38.08%	31.23%
Selling Area – Square Feet	18,142	17,786	13,028
Sales Per Square Foot – Selling Area	$339.28	$251.66	$308.53
Total Area – Square Feet	61,787	36,564	40,262
Sales Per Square Foot – Total Area	$88.74	$124.16	$97.35
Sales Per Person Employed	$140,227	$129,040	$140,685
Sales Per Customer	$30.91	$27.30	$28.06

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Store Location: Part I

Income Statement Data	Downtown	Rural And Suburban
Number of Stores	32	105
Net Sales Volume	$5,605,708	$4,299,866
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+4.85%	+9.30%
Gross Sales	101.06%	102.38%
Less: Total Deductions	1.06	2.38
Net Sales	100.00%	100.00%
Cost of Goods Sold	72.92	73.20
Margin Before Purchase Rebate or Patronage Dividend	27.08	26.80
Purchase Rebate or Patronage Dividend	.32	.20
Margin After Purchase Rebate or Patronage Dividend	27.40	26.99
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	3.07	3.08
Salaries/Wages -- Other Employees	10.56	9.76
Federal and State Payroll Taxes	.85	1.07
Group Insurance	.63	.55
Benefit Plans	1.07	.76
Total Payroll and Other Employee Expense	16.18	15.23
Occupancy Expense		
Heat, Light, Power, Water	.48	.43
Building Repairs and Maintenance	.38	.23
Rent or Ownership in Real Estate**	1.94	2.06
Total Occupancy Expense	2.80	2.72
Other Costs of Doing Business		
Advertising and Promotion	1.66	1.51
Insurance (Other than Real Estate and Group)	.57	.58
Taxes (Other than Real Estate and Payroll)	.31	.46
Interest (Other than Real Estate)	.88	.76
Depreciation (Other than Real Estate)	.96	.71
All Other Expenses	3.63	3.52
Total Other Costs of Doing Business	8.01	7.54
Total Operating Expenses	26.99	25.48
Operating Profit or Loss	.41	1.51
Other Income	1.95	1.25
Net Operating Profit or Loss (Before Income Taxes)	2.36	2.76

Financial Performance

Profit on Investment	8.45%	16.09%
Active Owner's Return	19.44%	34.08%
Current Asset Ratio	2.58x	2.31x
Quick Asset Ratio	1.41x	1.01x
Total Debt to Tangible Net Worth	69.44%	91.31%
Stock Turn Times	4.95x	5.67x
Sales to Inventory Ratio	6.79x	7.75x
Average Inventory per Square Foot Sales Area	$49.68	$36.45
Net Sales to Accounts Receivable	13.07x	15.24x
Net Sales to Total Assets	2.11x	3.05x
Net Sales to Net Worth	3.58x	5.84x
Net Sales to Net Working Capital	5.05x	7.52x

Other Operating Data

Credit Sales -- % of Total Gross Sales	66.12%	60.89%
Consumer Sales -- % of Total Gross Sales	33.88%	39.11%
Selling Area -- Square Feet	16,605	15,219
Sales Per Square Foot -- Selling Area	$337.53	$282.54
Total Area -- Square Feet	44,289	43,235
Sales Per Square Foot -- Total Area	$112.31	$98.72
Sales Per Person Employed	$136,037	$137,344
Sales Per Customer	$16.33	$42.57

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Store Location: Part II

Income Statement Data	Shopping Centers	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Stores	16	48	73
Net Sales Volume	$2,631,100	$6,101,508	$4,021,857
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	9.40%	9.37%	6.47%
Gross Sales	100.15%	102.28%	102.01%
Less: Total Deductions	.15	2.28	2.01
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	68.45	74.21	72.69
Margin Before Purchase Rebate or Patronage Dividend	31.55	25.79	27.31
Purchase Rebate or Patronage Dividend	.66	.21	.19
Margin After Purchase Rebate or Patronage Dividend	32.20	26.00	27.50
Payroll and Other Employee Expense			
Salaries – Owners/Officers/Managers	2.64	2.35	3.87
Salaries/Wages – Other Employees	11.41	9.56	10.21
Federal and State Payroll Taxes	1.28	.85	1.14
Group Insurance	.60	.56	.58
Benefit Plans	.40	.61	1.14
Total Payroll and Other Employee Expense	16.33	13.93	16.93
Occupancy Expense			
Heat, Light, Power, Water	.71	.39	.46
Building Repairs and Maintenance	.26	.29	.26
Rent or Ownership in Real Estate**	4.23	1.54	2.20
Total Occupancy Expense	5.21	2.22	2.92
Other Costs of Doing Business			
Advertising and Promotion	2.48	1.44	1.53
Insurance (Other than Real Estate and Group)	.26	.50	.71
Taxes (Other than Real Estate and Payroll)	.26	.40	.45
Interest (Other than Real Estate)	.66	.64	.96
Depreciation (Other than Real Estate)	.63	.82	.76
All Other Expenses	3.74	3.67	3.40
Total Other Costs of Doing Business	8.03	7.47	7.81
Total Operating Expenses	29.56	23.63	27.66
Operating Profit or Loss	2.64	2.37	-.16
Other Income	.84	1.17	1.80
Net Operating Profit or Loss (Before Income Taxes)	3.48	3.53	1.64
Financial Performance			
Profit on Investment	20.10%	15.14%	9.49%
Active Owner's Return	35.32%	25.21%	31.86%
Current Asset Ratio	3.38x	2.99x	1.94x
Quick Asset Ratio	1.16x	1.69x	.77x
Total Debt to Tangible Net Worth	87.89%	60.10%	113.00%
Stock Turn Times	4.41x	6.58x	4.77x
Sales to Inventory Ratio	6.45x	8.86x	6.56x
Average Inventory per Square Foot Sales Area	$23.88	$40.69	$42.89
Net Sales to Accounts Receivable	24.03x	13.06x	15.52x
Net Sales to Total Assets	3.07x	2.68x	2.72x
Net Sales to Net Worth	5.77x	4.28x	5.78x
Net Sales to Net Working Capital	5.87x	5.71x	8.04x
Other Operating Data			
Credit Sales – % of Total Gross Sales	35.85%	61.59%	67.24%
Consumer Sales – % of Total Gross Sales	64.15%	38.41%	32.76%
Selling Area – Square Feet	17,094	16,919	14,288
Sales Per Square Foot – Selling Area	$153.92	$360.62	$281.48
Total Area – Square Feet	27,546	36,016	51,820
Sales Per Square Foot – Total Area	$95.52	$154.31	$79.10
Sales Per Person Employed	$112,923	$148,061	$132,931
Sales Per Customer	$15.07	$51.99	$24.41

* As reported to us by Bottom Line contributors.

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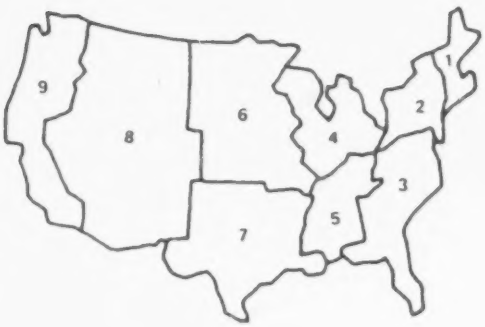
Geographical Regions



1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania

3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin

5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee

6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas

8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming

9. **Pacific**
   California, Oregon, Washington

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Income Statement Data	1 New England
Number of Stores	8
Net Sales Volume	$8,144,873
Current year's sales vs. previous year (1988 vs. 1987)*	+.91%
Gross Sales	100.77%
Less: Total Deductions	.77
Net Sales	100.00%
Cost of Goods Sold	75.21
Margin Before Purchase Rebate or Patronage Dividend	24.79
Purchase Rebate or Patronage Dividend	.00
Margin After Purchase Rebate or Patronage Dividend	24.79
Payroll and Other Employee Expense	
Salaries – Owners/Officers/Managers	2.31
Salaries/Wages – Other Employees	8.78
Federal and State Payroll Taxes	.94
Group Insurance	.98
Benefit Plans	2.16
Total Payroll and Other Employee Expense	15.16
Occupancy Expense	
Heat, Light, Power, Water	.17
Building Repairs and Maintenance	.43
Rent or Ownership in Real Estate**	1.02
Total Occupancy Expense	1.62
Other Costs of Doing Business	
Advertising and Promotion	.79
Insurance (Other than Real Estate and Group)	.64
Taxes (Other than Real Estate and Payroll)	.23
Interest (Other than Real Estate)	.96
Depreciation (Other than Real Estate)	1.08
All Other Expenses	4.21
Total Other Costs of Doing Business	7.90
Total Operating Expense	24.68
Operating Profit or Loss	.11
Other Income	.38
Net Operating Profit or Loss (Before Income Taxes)	.49

Financial Performance	
Profit on Investment	4.53%
Active Owner's Return	25.94%
Current Asset Ratio	1.36x
Quick Asset Ratio	.62x
Total Debt to Tangible Net Worth	222.87%
Stock Turn Times	5.82x
Sales to Inventory Ratio	7.73x
Average Inventory per Square Foot Sales Area	$59.17
Net Sales to Accounts Receivable	11.35x
Net Sales to Total Assets	2.88x
Net Sales to Net Worth	9.28x
Net Sales to Net Working Capital	15.79x

Other Operating Data	
Credit Sales – % of Total Gross Sales	78.52%
Consumer Sales -- % of Total Gross Sales	21.48%
Selling Area – Square Feet	17,800
Sales Per Square Foot – Selling Area	$457.78
Total Area – Square Feet	70,000
Sales Per Square Foot – Total Area	$108.34
Sales Per Person Employed	$215,473
Sales Per Customer	$19.26

Geographical Regions

2 Middle Atlantic	3 South Atlantic	4 East North Central	5 East South Central	6 West North Central	7 West South Central	8 Mountain	9 Pacific
17	33	24	6	16	11	8	14
$4,648,642	$5,093,945	$2,714,823	$2,113,448	$5,545,641	$2,697,492	$8,393,734	$4,161,589
+9.32%	+11.31%	+13.22%	+14.75%	+7.48%	+3.09%	+.43%	+16.15%
102.07%	102.43%	102.84%	101.37%	101.41%	104.95%	101.15%	101.66%
2.07	2.43	2.84	1.37	1.41	4.95	1.15	1.66
100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
68.71	74.45	70.60	70.27	74.63	71.42	75.16	73.03
31.29	25.55	29.40	29.73	25.37	28.58	24.84	26.97
.22	.09	.32	.67	.53	.57	.00	.32
31.51	25.64	29.72	30.41	25.90	29.15	24.84	27.29
3.47	2.35	4.53	3.97	3.85	4.50	2.59	2.26
11.02	9.14	10.03	12.10	10.26	9.68	11.38	9.94
1.26	.84	1.17	1.26	1.03	1.55	.50	1.29
.83	.52	.62	.17	.40	.43	.26	.63
1.38	.77	.33	.30	.34	.26	1.24	.20
17.96	13.62	16.69	17.80	15.88	16.42	15.97	14.32
.48	.34	.87	.68	.48	.80	.32	.34
.20	.19	.50	.40	.37	.22	.17	.16
2.22	1.70	2.50	5.13	1.71	2.56	2.03	2.70
2.90	2.24	3.88	6.21	2.55	3.58	2.52	3.20
1.71	1.13	2.95	2.17	1.63	1.30	1.33	1.86
.99	.40	.44	.16	.46	1.19	.55	.60
.51	.41	.25	.21	.39	1.23	.65	.14
.84	.31	1.19	.67	1.45	1.01	.59	.62
.95	.68	.96	1.21	.68	.76	.58	.60
3.47	4.00	3.66	4.56	2.54	4.09	2.60	3.59
8.47	6.93	9.44	8.99	7.13	9.59	6.31	7.41
29.33	22.79	30.00	33.00	25.56	29.60	24.80	24.93
2.18	2.85	-.28	-2.59	.34	-.44	.04	2.36
.91	1.41	2.02	2.12	1.63	2.55	2.15	.98
3.09	4.26	1.73	-.47	1.97	2.11	2.18	3.34
27.46%	17.94%	12.08%	-3.63%	7.35%	9.27%	6.36%	25.16%
58.23%	27.86%	43.66%	26.87%	21.68%	29.09%	13.91%	42.19%
1.75x	3.24x	1.99x	1.80x	2.48x	2.98x	4.49x	2.40x
.71x	1.61x	.75x	.64x	1.29x	1.17x	2.61x	1.16x
158.60%	54.62%	158.71%	177.24%	64.83%	66.78%	42.29%	85.52%
5.24x	6.13x	4.44x	4.72x	4.91x	4.17x	5.56x	7.27x
7.63x	8.23x	6.29x	6.71x	6.59x	5.84x	7.39x	9.95x
$47.89	$48.99	$26.58	$23.59	$43.52	$29.38	$38.99	$34.11
16.78x	14.72x	17.68x	14.25x	11.84x	12.52x	13.62x	24.43x
3.43x	2.72x	2.69x	2.77x	2.26x	2.64x	2.05x	4.06x
8.88x	4.21x	6.96x	7.69x	3.72x	4.40x	2.92x	7.53x
10.18x	5.98x	7.47x	9.94x	5.43x	5.41x	3.87x	8.52x
53.40%	71.88%	31.99%	65.78%	50.86%	69.21%	55.07%	41.82%
46.60%	28.12%	68.01%	34.22%	49.14%	30.79%	44.93%	58.18%
12,178	12,629	16,250	13,350	19,350	15,711	29,128	12,262
$365.51	$403.37	$167.07	$158.31	$286.60	$171.69	$288.17	$339.38
45,460	28,629	32,231	35,333	86,442	44,529	67,403	27,618
$108.63	$177.93	$84.23	$53.19	$64.15	$60.58	$90.43	$150.69
$122,041	$154,621	$93,213	$134,187	$134,277	$117,282	$160,186	$142,517
$22.86	$65.56	$22.77	$19.83	$25.20	$36.32	$53.97	$19.29

Number of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	61	76
Net Sales Volume	$4,803,567	$4,102,457
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+9.58%	+3.58%
Gross Sales	102.13%	101.70%
Less: Total Deductions	2.13	1.70
Net Sales	100.00%	100.00%
Cost of Goods Sold	73.29	72.66
Margin Before Purchase Rebate or Patronage Dividend	26.71	27.34
Purchase Rebate or Patronage Dividend	.27	.11
Margin After Purchase Rebate or Patronage Dividend	26.98	27.45
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	3.05	3.15
Salaries/Wages -- Other Employees	9.70	10.77
Federal and State Payroll Taxes	.92	1.26
Group Insurance	.52	.73
Benefit Plans	.69	1.25
Total Payroll and Other Employee Expense	14.89	17.17
Occupancy Expense		
Heat, Light, Power, Water	.44	.46
Building Repairs and Maintenance	.27	.28
Rent or Ownership in Real Estate**	1.96	2.19
Total Occupancy Expense	2.67	2.94
Other Costs of Doing Business		
Advertising and Promotion	1.52	1.63
Insurance (Other than Real Estate and Group)	.56	.65
Taxes (Other than Real Estate and Payroll)	.43	.39
Interest (Other than Real Estate)	.65	1.20
Depreciation (Other than Real Estate)	.78	.78
All Other Expenses	3.58	3.45
Total Other Costs of Doing Business	7.52	8.08
Total Operating Expenses	25.08	28.19
Operating Profit or Loss	1.90	-.75
Other Income	1.44	1.45
Net Operating Profit or Loss (Before Income Taxes)	3.34	.70
Financial Performance		
Profit on Investment	14.22%	6.60%
Active Owner's Return	27.21%	36.06%
Current Asset Ratio	2.87x	1.58x
Quick Asset Ratio	1.48x	.55x
Total Debt to Tangible Net Worth	61.57%	213.90%
Stock Turn Times	5.74x	4.79x
Sales to Inventory Ratio	7.83x	6.59x
Average Inventory per Square Foot Sales Area	$38.34	$43.19
Net Sales to Accounts Receivable	13.64x	18.01x
Net Sales to Total Assets	2.63x	2.98x
Net Sales to Net Worth	4.25x	9.36x
Net Sales to Net Working Capital	5.75x	11.49x
Other Operating Data		
Credit Sales -- % of Total Gross Sales	59.73%	75.28%
Consumer Sales -- % of Total Gross Sales	40.27%	24.72%
Selling Area -- Square Feet	15,008	14,404
Sales Per Square Foot -- Selling Area	$300.08	$284.82
Total Area -- Square Feet	39,772	51,731
Sales Per Square Foot -- Total Area	$115.00	$79.30
Sales Per Person Employed	$140,894	$128,202
Sales Per Customer	$36.53	$17.21

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Store Orientation

Income Statement Data	Contractor Oriented	Consumer Oriented
Number of Stores	43	92
Net Sales Volume	$6,304,461	$3,694,067
Current Year's Sales vs. Previous Year (1988 vs. 1987)*	+3.69%	+9.96%
Gross Sales	100.63%	102.89%
Less: Total Deductions	.63	2.89
Net Sales	100.00%	100.00%
Cost of Goods Sold	75.29	71.30
Margin Before Purchase Rebate or Patronage Dividend	24.71	28.70
Purchase Rebate or Patronage Dividend	.08	.33
Margin After Purchase Rebate or Patronage Dividend	24.79	29.03
Payroll and Other Employee Expense		
Salaries -- Owners/Officers/Managers	2.31	3.72
Salaries/Wages -- Other Employees	9.56	10.42
Federal and State Payroll Taxes	.84	1.14
Group Insurance	.49	.64
Benefit Plans	.88	.83
Total Payroll and Other Employee Expense	14.08	16.76
Occupancy Expense		
Heat, Light, Power, Water	.30	.58
Building Repairs and Maintenance	.17	.35
Rent or Ownership in Real Estate**	1.55	2.44
Total Occupancy Expense	2.02	3.37
Other Costs of Doing Business		
Advertising and Promotion	1.11	1.88
Insurance (Other than Real Estate and Group)	.65	.56
Taxes (Other than Real Estate and Payroll)	.46	.42
Interest (Other than Real Estate)	.84	.80
Depreciation (Other than Real Estate)	.83	.74
All Other Expenses	3.71	3.45
Total Other Costs of Doing Business	7.60	7.85
Total Operating Expenses	23.69	27.97
Operating Profit or Loss	1.10	1.05
Other Income	1.16	1.72
Net Operating Profit or Loss (Before Income Taxes)	2.26	2.78
Financial Performance		
Profit on Investment	10.33%	14.13%
Active Owner's Return	20.91%	33.06%
Current Asset Ratio	2.34x	2.51x
Quick Asset Ratio	1.18x	1.12x
Total Debt to Tangible Net Worth	83.99%	81.01%
Stock Turn Times	5.37x	5.30x
Sales to Inventory Ratio	7.14x	7.44x
Average Inventory per Square Foot Sales Area	$55.67	$32.03
Net Sales to Accounts Receivable	11.39x	17.78x
Net Sales to Total Assets	2.49x	2.81x
Net Sales to Net Worth	4.58x	5.09x
Net Sales to Net Working Capital	6.15x	6.73x
Other Operating Data		
Credit Sales -- % of Total Gross Sales	76.19%	59.23%
Consumer Sales -- % of Total Gross Sales	23.81%	40.77%
Selling Area -- Square Feet	15,865	15,511
Sales Per Square Foot -- Selling Area	$397.38	$238.16
Total Area -- Square Feet	55,214	38,488
Sales Per Square Foot -- Total Area	$103.05	$96.86
Sales Per Person Employed	$166,524	$121,736
Sales Per Customer	$25.99	$29.72

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Leading Publicly-Held Companies

Income Statement Data	Wolohan	Grossman's	Lowe's	Hechinger	Home Depot	National Lumber
Number of Outlets	45	246	296	92[2]	96	20
Sales Volume[1] **(millions)**	$257.80	$1,141.00	$2,517.00	$1,019.00	$1,999.00	$152.00
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	72.1	70.9	76.1	73.9	73.0	70.1
Gross Margin	27.9	29.1	23.9	26.1	27.0	29.9
Expense						
Selling/General/Administrative	19.2	25.5	17.3	19.6	20.6	33.3
Depreciation	1.7	1.0	1.6	NA	NA	NA
Interest	1.1	1.9	.8	1.1	NA	.6
Total Expenses	22.0	28.4	19.7	20.7	20.6	33.9
Net Operating Income	5.9	.7	4.2	5.4	6.4	-4.0
Balance Sheet Data						
Total Dollar Assets (millions)	$108.80	$395.90	$1,086.00	$685.50	$699.20	$46.50
Current Assets						
Cash	23.6	5.2	5.5	20.9	2.3	.3
Accounts Receivable	13.6	12.6	11.8	10.0	2.5	4.4
Inventory	24.5	41.5	34.9	25.9	42.1	63.7
Other Current Assets	.2	1.1	1.0	2.6	1.3	2.8
Total Current Assets	61.9	60.4	53.2	59.4	48.2	71.2
Fixed Assets						
Land, Building, Lease, etc.	40.7	38.7	41.1[3]	19.0[4]	40.8	24.2
Furniture, Fixtures, Equipment	15.9	18.8	18.0	13.8	11.8	21.7
Depreciation	-19.5	-17.9	-14.9	-9.1	-5.1	-25.2
Other Fixed Assets	1.0	NA	2.6	16.9	4.3	8.1
Total Fixed Assets	38.1	39.6	46.8	40.6	51.8	28.8
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Current Liabilities						
Notes Payable	1.9	5.0	1.1	0.1	NA	14.5
Accounts Payable	11.6	27.3	18.8	15.2	18.1	35.8
Other Current Liabilities	9.8	1.6	6.5	NA	9.7	10.6
Total Current Liabilities	23.3	33.9	26.4	15.3	27.8	60.9
Long Term Liabilities	28.3	40.5	19.6	30.9	17.4	4.5
Total Liabilities	51.6	74.4	46.0	46.2	45.2	65.4
Net Worth	48.4	25.6	54.0	53.8	54.8	34.6
Liabilities and Net Worth	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Financial Performance						
Gross Margin Return on Investment	$2.70	$2.02	$1.58	$1.51	$1.83	$1.54
Net Profit (Before Tax) to Net Sales	5.94%	0.57%	4.20%	5.42%	6.27%	-4.04%
Net Profit (Before Tax) to Net Worth	29.00%	6.41%	18.02%	15.12%	32.63%	-38.17%
Return on Net Worth	29.08%	6.39%	17.99%	15.07%	32.66%	-35.67%
Total Assets to Net Worth	2.06x	3.91x	1.85x	1.86x	1.82x	2.89x
Net Sales to Total Assets	2.37x	2.88x	2.32x	1.50x	2.86x	3.27x
Net Sales to Inventory	9.69x	6.94x	6.63x	5.77x	6.79x	5.13x
Other Operating Data						
Average Size of Selling Area	23,867	NA	17,104	52,826	85,583	47,934
Sales Per Square Foot – Selling Area	$240.03	NA	$510.00	NA	$243.37	$159.00
Inventory Per Square Foot	$24.77	NA	$76.91	NA	$35.81	$30.90
Sales Per Person Employed	$155,582	$140,938	$170,359	NA	$153,809	NA
Sales Per Customer	NA	NA	NA	NA	$31.13	NA

[1] Exclusive of Interest Income or Other Income
[2] Includes eleven Home Quarters' Outlets and Six Triangle Building Centers
[3] Less depreciation
[4] Includes Property/Furniture/Equipment

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Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory and space occupied by major departments found in home centers.

Departmental Contributions
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory and sales per square foot of selling area.

These data are for **Handling Firms Only.** All outlets participating in the survey that do not carry a particular department were not included in the computation of the average data for that department. To help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in The Bottom Line Report shows 90.0% of the stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other home centers which also carry that department.

The Bottom Line also presents an **Average Outlet Profile.** This profile shows data for outlets handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments? How can the relationships of only carried departments be compared to an industry average? The necessary data are contained in the Report -- only a simple computation is required.

First, for each department carried, add the industry average percent of Net Sales. The sum of those percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a home center carries only four departments -- Hardware, Hand Tools, Paint and Home Decorating and Building Materials.

Assume The Bottom Line indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand Tools	10.0%
Paint & Home Decorating	20.0%
Building Materials	50.0%

The total of these percents equals 95.0. Now divide the total (95.0%) into each of the individual department's percent:

Hardware	$\frac{15.0}{95.0}$	= 15.8%
Hand Tools	$\frac{10.0}{95.0}$	= 10.5%
Paint & Home Decorating	$\frac{20.0}{95.0}$	= 21.1%
Building Materials	$\frac{50.0}{95.0}$	= 52.6%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand Tools, Paint and Home Decorating, and Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space and inventory.

Productivity
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The tables presented on the following page examine these departmental evaluation criteria.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover and is computed by taking the margin percentage times the sales to inventory ratio (net sales divided by average inventory at cost.) GMROI is expressed as an index. Lawn and Garden's GMROI, for example is 1.62 which means $1.62 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give home center operators a way to measure departmental performance across diverse merchandise lines. Traditionally high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of selling area. Individual home center operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	$ Sales Per Sq. Ft.	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory
Hardware	100.0	9.2	19.1	9.5	146.51	9.2	19.2	9.5
Hand Tools	100.0	2.8	4.8	3.4	191.50	2.7	4.4	3.3
Power Tools & Accessories	100.0	2.5	4.3	4.0	162.01	2.4	4.4	3.8
Plumbing, Heating & Cooling	100.0	6.8	8.4	7.8	176.51	6.8	8.4	7.8
Electrical Supplies	100.0	4.7	6.4	6.2	180.24	4.7	6.4	6.2
Paint & Home Decorating	100.0	7.5	14.1	7.0	131.31	7.5	14.1	7.0
Lumber	98.1	32.2	9.0	24.4	693.11	31.4	9.0	24.4
Building Materials	96.2	23.0	9.5	25.7	660.69	21.9	9.0	23.4
Lawn & Garden	88.7	5.2	10.5	5.7	144.15	4.5	8.3	4.7
Housewares	58.5	2.8	7.1	3.7	61.79	1.5	3.7	2.1
Automotive Supplies	54.7	1.2	3.6	1.5	103.54	.6	1.5	.7
Major Appliances & Home Entertainment	30.8	3.6	3.6	5.0	71.63	1.0	1.1	1.5
Sporting Goods & Outdoor Living	39.6	2.0	3.8	2.2	145.98	.8	2.0	.9
Miscellaneous Goods	78.8	6.2	12.5	5.7	79.89	5.0	8.5	4.7
					Total	100.0%	100.0%	100.0%

Productivity

Department	Gross Margin %	Sale To Inventory Ratio x	Gross Margin Return on Inventory (GMROI) $
Hardware	38.9	6.4	2.78
Hand Tools	34.3	5.6	2.27
Power Tools & Accessories	29.1	5.8	2.00
Plumbing, Heating & Cooling	36.4	6.4	2.49
Electrical Supplies	36.5	5.0	1.93
Paint & Home Decorating	36.6	6.5	2.47
Lumber	23.6	8.7	1.93
Building Materials	26.7	7.1	1.88
Lawn & Garden	29.4	5.5	1.62
Housewares	29.5	5.4	1.60
Automotive Supplies	33.3	7.2	2.28
Major Appliances & Home Entertainment	19.3	4.2	.71
Sporting Goods & Outdoor Living	27.1	4.6	.99
Miscellaneous Goods	30.0	7.5	2.03

Definition of Terms

Income Statement Data -- The Income Statement presents in a single format revenue derived from the sale of merchandise, and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume – The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions – Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold – Inventory First of the Year plus Purchases plus Freight In plus Shop Labor (Non-Employee) minus Inventory End of the Year equals Cost of Goods Sold.

Margin Before Rebate or Dividend – The difference between Net Sales and the Cost of Goods Sold.

Margin After Rebate or Dividend – Net Sales minus the Cost of Goods Sold plus any Purchase Rebate or Patronage Dividend received by the dealer.

Salaries -- Owners, Officers, Managers -- The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries/Wages -- Other Employees – The compensation, wages and bonuses paid to all other employees.

Federal and State Payroll Taxes – Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance – All premiums paid to insure employees for health and accident protection.

Benefit Plans – The employers' share of cost for employee welfare/benefit plans -- life insurance, retirement, education, etc.

Heat, Light, Power and Water – All utility expenses incurred in the operation of the business.

Building Repairs and Maintenance – All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Leasing Expenses (Non-Occupancy) – All costs involved in leasing furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Office Supplies and Postage – The cost of all materials used for the firm's accounting records.

Rent or Ownership in Real Estate – Rent is the ammount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land, and buildings used in the business.

Advertising and Promotion – Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations – All gifts given from the business operation to charity.

Telephone and Telegraph – For expenses incurred in the operation of the business.

Bad Debts – Uncollectable debts.

Delivery Expenses (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance – Premiums paid to insure all assets against fire, theft, etc.

Taxes – All taxes on stock, fixtures, delivery equipment, etc.

Depreciation – All depreciation on furniture, fixtures, machinery and office equipment, delivery equipment, etc.

Credit Card Expense – Bank charges for processing credit card sales.

Interest – The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies – The costs of all supplies used in the operation of the store.

Legal and Accounting – The cost incurred for auditing, inventory count, collectors and legal consultation.

Computer Services – Any fees for outside computer services, plus all costs (excluding payroll) for establishing and maintaining a system inhouse.

Dues and Subscriptions – Fees for memberships and subscriptions, and expenses for employee training.

Travel and Entertainment – All expenses incurred in business trips and the entertainment of guests.

Miscellaneous Services – All fees for services such as laundry, garbage disposal, snow removal, etc.

Unclassified – All expenses not classified under other headings.

Net Operating Profit – Return on sales before other Income and Income Taxes, when expressed as a percent of Net Sales, indicates the percent return on each dollar of sales.

Other Income – Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental and sundry income.

Net Profit (Before Income Tax) – The net return from the operation of the business.

Balance Sheet – The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets – Cash; notes receivable in the current year; accounts receivable (less reserve for doubtful accounts); merchandise inventories and other assets with a defined short-term life of one year -- all prepaid expenses.

Investments – Assets with a long term life such as stocks and bonds or real estate which is not needed to operate a business.

Fixed Assets – Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land, buildings and leasehold improvements are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities – All debts which are due within one year -- accounts payable, current portion of notes payable, accrued payroll and other taxes, insurance, interest, etc.

Long-Term Liabilities – All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth -- Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Definition of Ratios

Financial Ratios
The financial position of a firm is determined from a review of its financial statements -- the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. These proportions are tested by ratio analysis.

Profit On Investment
- Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
- Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
- Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
- Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison beween operators with different philosophies regarding salaries and profits.

Current Asset Ratio
- Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times."
- Measures the ability to pay short term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
- Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times."
- Measure the ability to pay Current Debts form Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
- The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
- Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
- Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times."
- Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
- Computed by dividing Net Sales by Average Inventory; expressed in "times."
- Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Square Foot of Sales Area
- Computed by dividing Average Inventory by Square feet of Sales Area; expressed in dollar value of inventory at cost.
- A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
- Computed by dividing Net Sales by Accounts Receivable; expressed in "times."
- Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
- Computed by dividing Net Sales by Total Assets; expressed in "times."
- Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
- Computed by dividing Net Sales by Tangible Net Worth; expressed in "times."
- Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
- Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times."
- Measures the demand on working capital to support the sales volume.

Sales Per Square Foot -- Selling Area
- Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
- Measures sales productivity.

Sales Per Square Foot - Total Area
- Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
- Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
- Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
- Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
- Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
- Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

Gross Margin Return on Inventory -- (GMROI)
- Computed by taking gross margin percentage times sales to inventory ratio.
- Considers both margin and turnover.
- Example: A GMROI of 1.50 means $1.50 in margin is returned for each $1.00 invested inventory.

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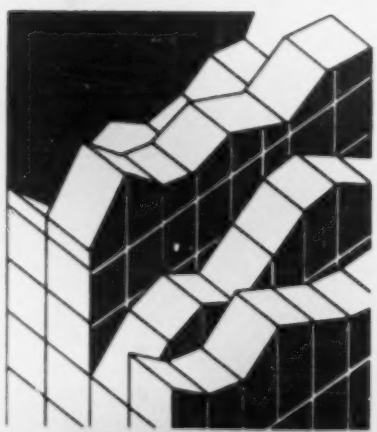

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